



A Legislative Guide to

# Bills, Budgets & Fiscal Notes



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## Introduction

This guide includes:

- How a bill becomes law
- Session rules, and deadlines
- Budgets
- Fiscal notes
- Glossary of terms
- Fiscal analysts by assignment

## The Legislative Fiscal Analyst

The Legislative Fiscal Analyst (LFA or the Analyst) advises the Legislature on money matters. The Analyst:

- Has a staff of about 20: analysts, economists, secretaries and DP support
- Staffs Executive Appropriations Committee
- Staffs ten appropriations subcommittees
- Makes budget recommendations for state government
- Writes fiscal notes
- Writes the budget bills





## How a Bill Becomes a Law

A citizen advocate, special interest group, or government agency tells a legislator about a problem and the Legislator decides, “There ought to be a law.” (This example follows a bill that starts in the House of Representatives.)

### *Attorneys Draft a Bill*

The legislator asks Legislative Research and General Counsel (LRGC) to draft legislation. An attorney:

- Reviews existing law
- Researches issues
- Drafts legislation
- Checks for statutory and constitutional problems

### *Bill Approved & Published*

The attorney gives the bill to the legislator for review and approval. LGRC numbers approved bills. The legislator may then introduce the bill. LRGc sends copies to:

- Senate or House docket clerk
- Bill room
- Internet
- Fiscal Analyst (for a fiscal note)

### *First Reading & Rules Committee*

The Speaker has the bill introduced with the first reading, and the bill goes to Rules Committee. The committee recommends to the Speaker which standing committee should hear the bill.

### *Standing Committee & Public Hearing*

The standing committee reviews the bill in a public meeting. The committee may:

- Amend
- Hold
- Table
- Substitute
- Recommend the bill

### *The Second Reading*

The House hears the committee report and adopts it by motion. This is the Second Reading of three constitutionally required readings. The House puts the bill on the calendar for the Third Reading.

### *The Third Reading & Floor Debate*

The clerk reads the bill by title a third time. The legislative sponsor explains the bill, and answers questions. The House debates and may amend or substitute the bill.

### *Vote on the Bill*

A previous question motion closes debate. The Legislature requires a simple majority (38 of 75 representatives).

### *Send Bill to the Senate*

If the bill passes, the House sends the bill to the Senate and requests Senate action.

### *Senate First Reading & Rules Committee*

The clerk reads the bill's title for first reading. Rules Committee recommends to the Senate President which standing committee should hear the bill.

## *Standing Committee Hearing*

The committee may:

- Amend
- Hold
- Table
- Substitute
- Recommend the bill

In the Senate, a previous question motion requires a committee majority vote. Legislators may not make this motion on the Senate floor.

## *Bill Returned to Full Senate*

The Senate hears the committee report and places the bill on the Second Reading Calendar.

## *Senate Second Reading & Debate*

The clerk reads the bill's title a second time (Second Reading) and the Senate debates the bill. It must pass a floor vote to advance to third reading.

## *Senate Third Reading, Debate, & Final Vote*

The clerk reads the bill's title a third time (Third Reading) and the Senate debates the bill again. The bill needs a simple majority to pass (15 of 29 senators).

## *Bill Signed & Enrolled*

After the bill has passed both houses, the President and Speaker sign it. Legislative Research and General Counsel staff check the bill in a process called enrolling. They prepare the bill in final form with all amendments included and return it to the House. This enrolled bill is an exact, accurate, and official copy of the enacted bill.

### *Bill Sent to Governor*

The Legislature prints the enrolled bill and sends a copy to the governor for approval. The governor can

- Sign
- Veto
- Allow it to become law without his signature

### *The Bill Becomes Law*

Bills become effective 60 days following session, unless the bill specifies another date.

## **Bill Types**

### *Resolution (House or Senate)*

These only pertain to the house of origin. A bill establishing a committee or changing a rule is an example.

### *Joint Resolution (House & Senate)*

Both the House and Senate must pass a joint resolution. The Legislature uses them for matters involving both houses such as appointing joint committees or issuing joint communiqués. Proposals to amend the Utah Constitution are contained in joint resolutions.

### *Concurrent Resolution (House & Senate, & Governor)*

These show the state's position on a specific matter. The resolutions are passed by both houses and signed by the Governor.

### *House Bill*

A House Bill is legislation sponsored by a member of the State House of Representatives.

### *Senate Bill*

A Senate Bill is legislation sponsored by a member of the State Senate.

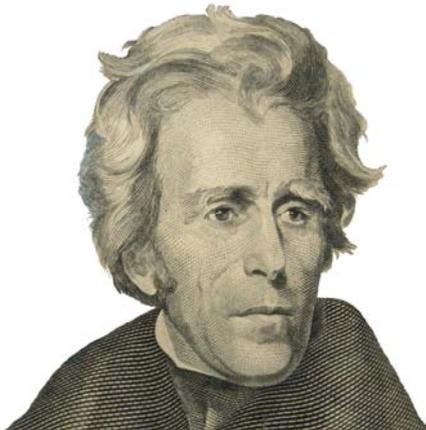
## The Legislature Sets the State Budget

The budget is the Legislature's plan for spending the State's limited resources. The budget funds all state agencies-including prisons, schools, higher education, costly new bills, new buildings, debt service, and highways. Finding the right balance is the Legislature's challenge.

## Consensus Revenue Estimates

The Constitution requires a balanced state budget. The first step is to decide how much money is in the budget. To reduce disagreements, the LFA, the Governor, and the Tax Commission estimate income using their own methods. Then they meet together and agree on a single revenue estimate. All parties balance budgets to that amount.

State funds are General, Education, and Uniform School Funds.



## All Legislators Sit on Budget Subcommittees

Utah's appropriation process involves every legislator. Each member sits on one of ten Joint Appropriations Subcommittees. Some members sit on more than one. The committees are:

- Executive Offices and Criminal Justice
- Capital Facilities & Government Operations
- Commerce and Workforce Services
- Economic Development and Revenue
- Health and Human Services
- Higher Education
- Natural Resources
- Public Education
- Transportation, Environmental Quality, and National Guard
- Retirement & Independent Entities

## Budget Subcommittee Hearings

The Legislature sets state budgets by passing spending bills. Legislators hold a series of hearings before they write the budget. In these hearings they:

- Hear from staff analysts
- Hear from program managers
- Take public testimony
- Measure program performance
- Hold program managers accountable
- Debate and vote on budgets

Subcommittees report to Executive Appropriations Committee (EAC). EAC meets to make final decisions, often after caucus discussions. It then directs the Analyst to write the bills, which show the Legislature's priorities set in dollars.

## Ranking Funding Requests

Since there is never enough money to fund everything, there needs to be a way to rank funding requests. The following questions help legislators prioritize spending requests.

1. *Program Reduction*--Can the Legislature reduce or eliminate this program? What would happen?
2. *Court Orders*—What must the state fund due to legal rulings or settlements?
3. *Federal Mandates*--What is the penalty for not funding federal program growth or matching ratio changes?
4. *State Mandates*—What must legislators fund to comply with state law? (The Legislature can change the law.)
5. *Compensation*—How much must the state pay to retain its workforce?
6. *Enrollment Growth*—How many new students are entering the public school system?
7. *Workload*—What does a program need to serve more clients?
8. *Program Maintenance*—How much will it cost to cover anticipated expenses in an existing program?
9. *Program Enhancement*—How much should the Legislature allocate to expand or improve services?
10. *New Programs*—How much is left for new programs?

## Budget Bills

The budget is not in just one bill, but many:

The *Base Budget* bill funds state agencies with the same budget as the current fiscal year but with one-time funding removed. The Legislature passes the bill early in the session.

The *School Finance Bill* funds the public education base budget. The bill changes the number of Weighted Pupil Units to account for changes in the number of students.

The *Current Fiscal Year Supplemental* adds to and takes away from the budget year currently underway.

The *New Fiscal Year Supplemental*, sometimes called the “Big Bill,” adds to and takes away from the Base Budget. It has all rates and fees.

The *Minimum School Program Amendments* changes the value of the Weighted Pupil Unit and other public education programs. This is public education’s “Big Bill.”

The *Compensation Bill* has all budget changes related to personnel costs. This includes salary adjustments, and insurance rate changes. It does not include school districts.

The *General Obligation Bond Bill* authorizes general obligation bonds and projects.

The *Revenue Bond Bill* authorizes (by project) state and higher education lease and revenue bonds.

*Appropriations Adjustments* is known as the “*Bill of Bills*” because it funds each bill passed with a fiscal note. It is the last spending bill passed and contains last minute changes.

## Performance Measures

Mission statements and the Utah Code say what most agencies should be doing. Part of the budget process is to see if they are doing what the Legislature intended.

Managers use performance measures to see if programs are getting better and meeting goals. Agencies use them to justify budgets. The Legislature uses them for accountability. Picking the wrong measures can have serious consequences. Whatever gets measured will draw resources to it and should improve. If the agency took the resources from a core activity, the measures could have a negative effect on the agency and the public even though they show improvement.



## Introduction to Fiscal Notes

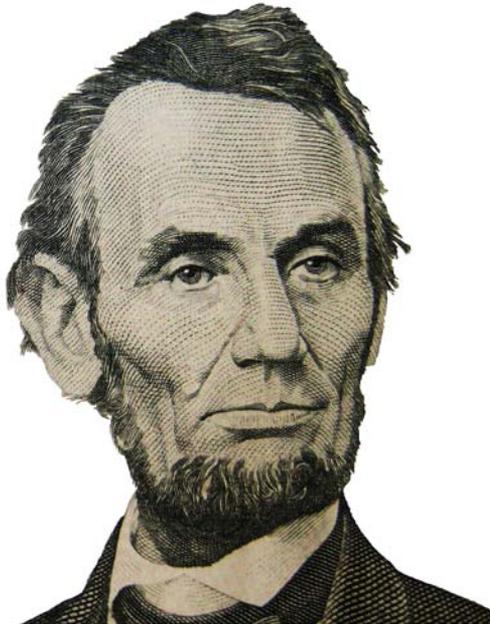
“If we pass this bill, how much will it cost?” Fiscal notes answer this question by showing the costs to state governments, local governments, businesses, and individuals.

The Analyst does notes for all bills and substitute bills and checks each amendment for fiscal impact.

The Analyst uses information from agencies, other organizations, and individuals to calculate impacts.

The Legislature needs to know the cost of each bill so that it can balance the budget. The fiscal note process finds budget and other problems before a bill is enacted.

By Legislative rule, this is a three-day process.



## What Do Fiscal Notes Look Like?

Fiscal notes are usually one-page documents with three sections.

### *Section 1: State Impacts:*

This text explains the fiscal impact on state government. What the note contains will depend on what the bill requires. Typical details are:

- how much the bill will cost;
- how much revenue the bill will generate;
- what the funds will buy;
- which agency gets the money and is responsible for implementing the bill;
- funding by year and long-term impacts;
- specific funding sources;
- ongoing and one-time funding; and
- impacts on employees, office space, vehicles, and equipment.

### *Section 2: Funding Table*

This table shows the fiscal impacts discussed in the first section. It has:

- impacts for the current year and two years into the future;
- fund names;
- amounts; and
- whether funding is one-time or ongoing.

### *Section 3: Non-state Impacts*

This is like the first section except that it shows fiscal impacts on:

- local governments;
- businesses; and
- individuals.

## Fiscal Note Types

### *Basic Fiscal Note*

The Analyst does regular fiscal notes for every bill, substitute bill, and resolution.

### *Amended Fiscal Note*

The Analyst prepares a new fiscal note if an amendment changes the bill's fiscal impact. The new note is an Amended Fiscal Note.

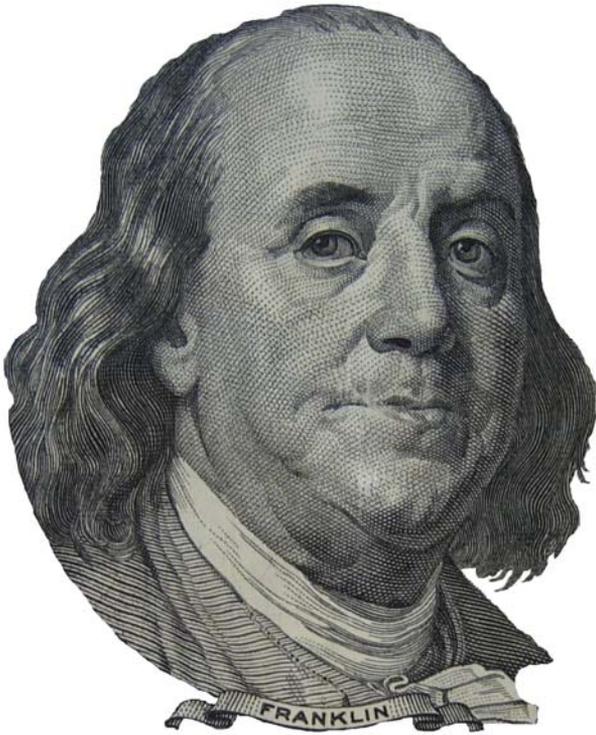
### *Revised Fiscal Note*

Sometimes the Analyst gets new information that requires a change in a published note. The new note is a Revised Fiscal Note.

## The Analyst "Owns" the Note

The Legislature expects independent, unbiased fiscal notes. The Analyst gets pressure on one side from the agencies and on the other from legislators. Since inaccurate fiscal notes have no value, the Analyst's first concern is accuracy. The Analyst is the final author and is responsible for the fiscal note.





## The Fiscal Note Process

### *Bill Sent to Analyst*

Legislative Research & General Counsel sends approved bills to the Analyst. The Legislature allows 72 hours to finish fiscal notes.

### *Lead Analyst Assigned*

The Fiscal Note Coordinator assigns the bill to an analyst according to the analyst's budget areas. This analyst takes the lead and writes the note. If the Coordinator assigns other analysts, they will provide information to the lead analyst.

### *Sent Out For Comment*

Analysts send bill copies to state agencies, local governments, and private organizations for comment. They have about one day to respond.

### *Fiscal Note Written*

The analyst studies the bill, information from state agencies and others, and writes the fiscal note.

### *First Level Review & Approval*

The Fiscal Note Coordinator checks the note for completeness, correctness, and clarity. The Coordinator can:

- approve the note as written;
- edit the note; or
- send it back for more work.

### *Final Review & Approval*

The Analyst has the same options as the Coordinator but his approval is final.

### *24 Hour Letter*

The Analyst sends the fiscal note to the sponsor for review. This marks the end of the 72 hours allowed. The sponsor has 24 hours to question the note.

### *Printed and Made Public*

After 24 hours, unless challenged by the sponsor, the bill and fiscal note are printed. LGRC adds the fiscal note to the Legislature's daily report and posts it on the Internet.

### *Substitute Bills*

Substitute bills get fiscal notes just like original bills. The process is the same.

### *Amendments*

Secretaries refer amendments for a given bill to the assigned Lead Analyst. The analyst decides if the amendment will change the fiscal impact. The analyst will treat amendments with impact like an original bill.

### *Protected bills*

If a bill is not public and does not have a number, it can be a "protected" document. The sponsor can ask for a fiscal note. The Analyst may send protected bills to state agencies only and state agencies must keep them confidential.



## How to Respond to a Fiscal Note Worksheet

### *The key elements of fiscal note preparation:*

- Accuracy
- Timeliness
- Completeness
- Neutrality
- Documentation

### *Your #1 Priority is Accuracy*

Fiscal notes only work if they are accurate. If responses cannot be trusted, responders will lose credibility with the Analyst and the Legislature.

### *72 Hour Limit*

The Legislature allows 72 hours to complete a fiscal note. That works out to one day for the agency, one day for the analyst, and one day for approvals. During the last 10 days of the Legislative Session and Special Sessions, there is not even that much time.

### *Agency Fiscal Note Organization*

Each agency should have a single contact person for fiscal notes. This coordinator can forward fiscal note requests to the right person and follow-up on late responses. Each agency designs its own approval process. Keep it simple due to time constraints.



### *Read the Bill*

Read the whole bill so that you will understand the context of the proposed changes. The bill shows deleted, changed, or added sections of the Utah Code (chapter, section, and paragraph). Deleted sections may have a fiscal impact.

### *How to Read the Bill*

As you read the bill, pay special attention to changes in the text. New text is underlined and in bold: “establishes a **one-time** appropriation of \$250,000”. Bracketed and lined through words indicates deleted text: “Has [~~not~~] been”.

### *Calculate Impacts Caused by Changes*

Calculate impacts caused by the changes in the bill not the entire bill. The parts that are not changed are already law.

### *Contacting People Outside Your Agency*

If you need to contact other state agencies, associations, or advocacy groups you may forward the bill and a copy of the Fiscal Note Worksheet. Remember the tight deadlines, and tell them how long they have to respond. Agencies may not share protected bills with anyone outside their agency and only people necessary within the agency.

### *Fill Out the Fiscal Note Worksheet*

The Worksheet has two main sections. You may use the short form if there is no fiscal impact to anyone. If there is an impact, fill out the second section. Show your assumptions and calculations. Attachments are welcome. We are moving towards an electronic system so use the electronic form.

*Return the Fiscal Note Worksheet on Time*

Fill out every section, especially your name and contact information. Include your cell phone number.



## Fiscal Note Worksheet Tips

### *Individual Bias*

Ask yourself how you feel about the bill. If you care one way or the other, proceed cautiously.

### *It Isn't Just About You*

Or your agency. We expect agencies to be experts on bills sent to them and tell us about impacts to:

- State Agencies
- Other agencies
- Local governments
- Businesses
- Individuals

### *Working the \$10,000 Rule*

Bills with fiscal notes of \$10,000 or more can pass the original house. The Rules committee of the next house holds the bill until the Legislature decides which bills it can afford. Do not estimate impacts high to kill a bill. Do not estimate low to help a bill pass. The Analyst will take a hard look at impacts estimated near \$10,000.

### *Estimating Impacts on Imaginary Bills*

You may think that the sponsor or attorney made a mistake drafting the bill. Estimate the fiscal impact based on the bill exactly as written. Do not assume that someone will correct the bill and base your estimate on the corrected bill. You may want to contact the sponsor. If the bill is corrected you will get another chance.

### *Separate One-time and Ongoing Costs*

Remember to separate and label one-time and ongoing costs and funding.

### *Delayed Implementation*

Legislators sometimes sponsor bills with a delayed implementation date. This lowers first year costs. Be sure to include full costs in the second year. If the bill's implementation date is beyond the second year, include a full year's costs in your response.

### *Missing Hidden Costs*

Do not forget to include start-up costs. Bills that require additional employees may also require additional management. Check for costs associated with office space, additional vehicles, furniture, and computers.

### *Identify All Revenue Sources*

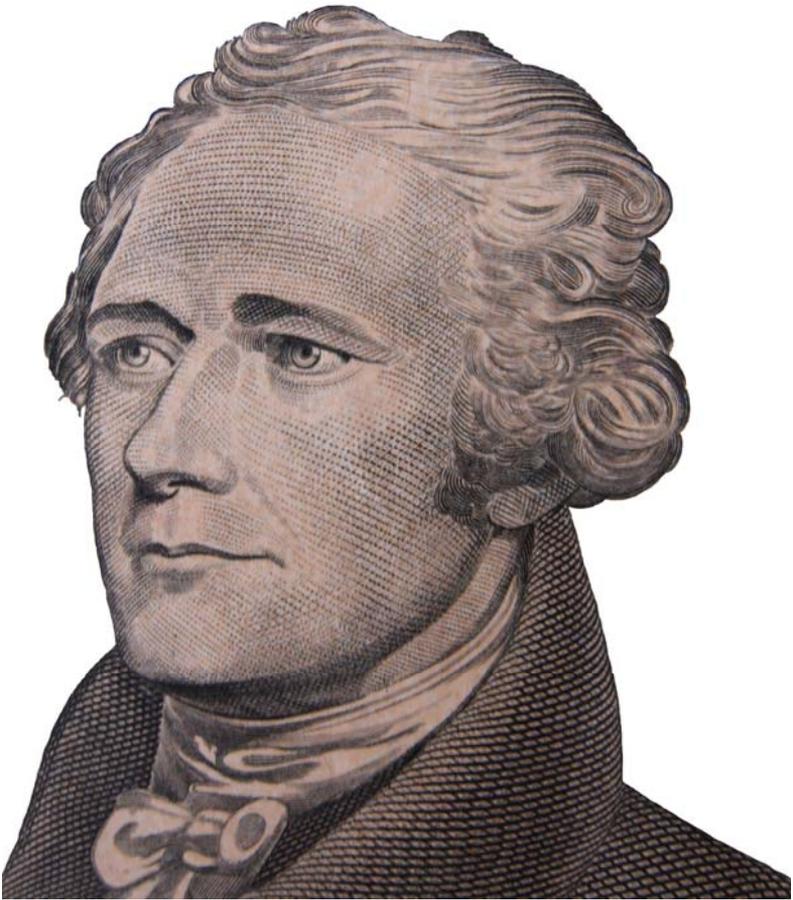
Some bills have a revenue source. Revenue collection can generate costs. Include all the revenues and all the costs.

### *Use Reliable Sources*

Document your sources and make sure they are reliable and current.

### *Writing What They Tell You*

Some bills include an appropriation that says how much it will cost to implement the bill. Your response does not have to agree with the bill. If it will cost more or less, you should say so in your response.



## Glossary

### Appropriation

This is a legislative act that authorizes spending a specific amount for a specific purpose. A negative appropriation reduces authorized spending.

### Bonding

**General Obligation (G.O.) Bonds**—Bankers require the state’s full faith and credit as collateral. Utah laws restrict bonding levels. The market restricts expenditure options. G.O. debt is the state’s least expensive long-term debt tool. Usually, the state issues bonds for six-year terms for buildings and fifteen-year terms for roads.

**Lease Revenue Bonds**--The state issues revenue bonds to finance state facilities. Usually, these are twenty-year term bonds. Agency rents finance the debt service. Interest rates are slightly higher than G.O. debt.

The state finances **Revenue Bonds** from a dedicated source like liquor store profits or student housing rents. Terms and rates are similar to lease revenue bonds.

### Building Blocks

Funding increases or decreases to existing programs or new programs.

### Caucus

This is a meeting of the members of one party. The word may also mean a group of special interest legislators. Rural legislators once organized themselves into the “Cowboy Caucus.”

## Circle

When the Legislature circles a bill, it delays action on the bill temporarily. The bill can be un-circled with a simple majority.

## Enterprise Funds

This accounting term covers programs that run like a business. Funding comes from user charges.

## Expenditures Categories

Utah's budgets show spending in these categories:

### Personal Services

This category holds people costs such as salaries and benefits.

### Travel

These costs include airline tickets, rental cars, hotels, meals, etc.

### Current Expense

These are general operating costs such as rents or small office supplies.

### Data Processing

This category includes costs to run computer systems including hardware and software under \$5,000.

### DP Capital

This category holds computer hardware, support equipment, systems, and software over \$5,000.

### Capital Outlay

This is where the state accounts for fixed assets other than computers.

### Pass-Through

Some programs need a partner, such as local health departments, to get the job done. This category shows funds passed on to the partner. The partner can be a state agency.

## Fiscal Year

The state's fiscal year (FY) runs from July 1 through June 30. The federal fiscal year (FFY) is from Oct. 1 through Sept. 30. Calendar Year is abbreviated "CY."

## FTE

FTE stands for "Full Time Equivalent" employee. Any combination of hours by any number of persons equal to a 40-hour workweek equals one FTE. It standardizes the personnel count.



## Intent Statements

The Legislature adds intent statements to appropriations bills to place conditions on a given appropriation. They expire with the appropriation at the end of the fiscal year. Intent:

- can make it so that funds do not lapse;
- can specify what projects are funded;
- can specify what results are expected;
- cannot tell the executive branch how to do its job as it would violate the Constitution's separation of powers clause;
- cannot do what should be done in statute;
- cannot supersede state statutes.

## Internal Service Funds (ISF)

These are not so much funds as a special type of government agency such as a motor pool. They provide goods and services to other governmental agencies. Funding comes from user charges.

## Lapsing

At fiscal year end, most unexpended resources go back to the fund from which they came.

## Line Item

The Legislature created most of state government as Departments supporting multiple Divisions that support multiple Programs.

Most spending bills are collections of many appropriations. The bill identifies each by a line item number. A line item usually funds a division with several programs. Agencies can move funds from program to program within the line item, but cannot move funds from one line item to another. This practice gives agencies flexibility.

## Minimum School Program (MSP)

The MSP supports school district basic education programs. The state equalized funding between “rich” and “poor” districts. 85% of all education revenue goes to the MSP. The Minimum School Program (MSP) funds school district enrollments, special categories, and district needs.

## Non-lapsing

The Legislature may specify that an appropriation not lapse by intent language or the Utah Code.

## One-time vs. Ongoing

The Legislature spends one-time funds on one-time expenditures like computers, buildings, and roads.

## Reading

As bills go through each house, there are three stages where staff reads the bill’s title:

- when the bill is introduced to the Legislature;
- when announcing the standing committee’s report; and
- when the bill is placed for debate and voting.

The Legislature requires all three readings before passage.

## Retained Earnings

These are Internal Service Fund or Enterprise Fund unspent profits. They are not reserved for any specific purpose.

## Revenue Funds:

### Dedicated Credits

This revenue comes from fee collections or sales and spending is according to code or contract restrictions. The amount in the bill is an estimate, and the agency may spend all it gets up to 125% of the appropriation.

### Education Fund

Income and intangible property taxes fill the Education Fund. The Legislature spends these funds on public and higher education.

### Federal Funds

These funds come from the Federal Government with restrictions such as matching requirements. The amount in the appropriations act is an estimate. The agency may spend more than appropriated if it gets more and has the governor's approval. The Legislature closely monitors all federal funds.

### General Fund

Sales taxes, other taxes, and fees fill the General Fund. The Legislature can spend these any way it wants.

### Local Property Tax

School districts must levy a basic property tax to take part in the MSP. Funds are collected and go to school districts based on an equity formula. Local revenue is 15% of the education budget.

### Non-lapsing Funds

At budget year's end, unspent funds go back (lapse) to the fund they came from. If the Legislature allows agencies to keep the funds, they become Non-lapsing funds. This category also holds obligated, but still unspent funds.

### Restricted Funds

The Legislature limits spending to specific purposes.

### Transportation Fund

The gas tax is the main source of revenue. The Constitution limits spending to roads and highways.

### Uniform School Fund (USF)

The Education Fund fills the Uniform School Fund. The Legislature may only spend these funds on public education. This is the main support of the public education system.

### School Building Program

On a formula basis, these funds go to school districts to build or renovate schools and for capital bonding.

### Special Session

The Governor can call the Legislature into Special Session to address a problem that will not wait until the General Session. The Governor sets the agenda in the call.

### Supplemental Appropriation

Sometimes this just called a supplemental. This is when the Legislature changes a previous appropriation. The change can be an increase or decrease.

### Table

If the Legislature tables a bill, it postpones action. Lifting a bill from the table requires a two-thirds vote.

### Turnover Savings

The Legislature gives agencies enough to pay for all employees for a full year. When there is employee turnover, those conditions change. There will be a vacancy for a while and the agency will usually pay the new hire at a lower rate. These are turnover savings.

### Weighted Pupil Unit (WPU)

This is the amount allocated to educate one pupil for one year. The amount changes with each budget. Sometimes, the Legislature funds a specific program with WPU multiples even though there is no direct relationship to students.

## Analysts by Assignment

### *Legislative Fiscal Analyst*

Jonathan Ball, Director

Steven Allred, Deputy Director

### *Fiscal Notes*

Stan Eckersley

### *Executive Offices and Criminal Justice*

Gary Ricks

Gary Syphus

### *Capital Facilities and Government Operations*

Richard Amon

Steven Allred

### *Commerce and Workforce Services*

Danny Shoenfeld

### *Economic Development and Revenue*

Andrea Wilko, Ph.D., Chief Economist

Thomas Young, Ph.D., Economist

### *Health and Human Services*

Stephen Jardine (Human Services)

Russell Frandsen (Health)

### *Higher Education*

Spencer Pratt

### *Natural Resources*

Ivan Djambov

### *Public Education*

Ben Leishman

Patrick Lee

### *Retirement and Independent Entities*

Danny Shoenfeld

### *Transportation, Environmental Quality, and*

### *National Guard*

Mark Bleazard